

[NOT PROTECTIVELY MARKED]



Police, Fire and Crime Commissioner for Essex

Financial and Procurement Regulations

2023

Contents Page

Section	Subject	Page
1	Introduction	1
2	The Financial and Procurement Regulations	4
A	Financial Management Framework	9
B	Financial Planning and Control	12
C	Management of Risk and Resources	22
D	Systems and Procedures	38
E	Joint Working Arrangements	45
F	Contract Standing Orders	51
G	Delegated Limits	66

1 Introduction

1.1 Purpose

- 1.1.1 The purpose of this document is to set out the Financial and Procurement Regulations that apply to the Police, Fire and Crime Commissioner for Essex (“the PFCC”) and the Chief Constable for Essex having due regard to their respective responsibilities and the overall regulatory framework of their approach to financial management.
- 1.1.2 To conduct business effectively, sound financial management policies are essential, and they must be strictly adhered to. Part of this process is to adopt and implement Financial and Procurement Regulations. These Regulations have been drawn up in such a way as to ensure that the financial affairs of the PFCC and the Chief Constable are conducted properly and in compliance with all necessary requirements. They also seek to reinforce the standards of conduct in public life required by the PFCC, the Chief Constable, police officers, police staff and staff of the Police, Fire and Crime Commissioner and in particular the need for openness, accountability, and integrity.
- 1.1.3 The Regulations are designed to establish financial responsibilities, to confer duties, rights, and powers upon the PFCC, the Chief Constable and their officers and to provide clarity about the financial accountabilities of groups or individuals. They apply to the PFCC and the Chief Constable and every officer and member of staff of the service and anyone acting on their behalf.
- 1.1.4 They reflect the application of best practice and the requirements of legislation. In particular they seek to meet the criteria set out in the Financial Management Code of Practice issued by the Home Office under Section 17 of the Police Reform and Social Responsibility Act 2011 and Section 39 of the Police Act 1996 which permits the Secretary of State to issue codes of practice to all police and crime commissioners and chief constables.
- 1.1.5 The PFCC and the Chief Constable are established in law as corporation soles within the Police Reform and Social Responsibility Act 2011. As such, both are enabled by law to employ staff and hold funds in their official capacity.
- 1.1.6 Chief Constables are charged with the impartial direction and control of all constables and staff within the police force that they lead. Staff of the PFCC are accountable to the directly elected holder of that office.
- 1.1.7 The PFCC will own and fund all assets, land, and buildings regardless of whether they are used by the PFCC, by the force or by both bodies. However, with consent from the PFCC, Chief Constables can acquire property (other than land or buildings) up to £250,000 as set out in the scheme of consent. Any consent given by the PFCC to the Chief Constable to enter into contracts is given on the condition that all assets arising from the contracts are for the use and benefit of the PFCC. The Chief Constable is responsible for the direction and control of the force and should therefore have day-to-day management of all assets used by the force.

- 1.1.8 The PFCC is the corporation sole which owns all the assets, land, and buildings upon it, including all rights and liabilities which derive from that ownership, including those in the possession and use of the Chief Constable as a corporation sole. With consent from the PFCC, the responsibility for carrying out the daily administration of property and contracts can be carried out by the Chief Constable or staff of the Chief Constable. In addition, with consent from the PFCC, The Chief Constable can enter into contracts on the condition that all assets arising from the contracts are for the use and benefit of the PFCC. An exception to this is contracts or other agreements with a person by virtue of which the person becomes, or is, a member of the police force's civilian staff, or which otherwise relates to a person's membership of that civilian staff (including the terms and conditions of the person's membership).
- 1.1.9 The public accountability for the delivery and performance of the police service rests with the PFCC on behalf of the electorate. The PFCC has an electoral mandate to set the strategic direction of the force in consultation with the Chief Constable. The Chief Constable is accountable to the PFCC. The Police, Fire and Crime Panel provides checks and balances by holding the PFCC to account.
- 1.1.10 The PFCC may appoint a Deputy who may exercise the function of the PFCC set out in the Scheme of Delegation.
- 1.1.11 The PFCC is the recipient of all funding, including the government grants, precept and other sources of income related to policing and crime reduction and all funding for the force, with the exception of operational contributions agreed by the PFCC's Chief Finance Officer, must come via the PFCC. The PFCC is responsible for allocating this funding in consultation with the Chief Constable, or in accordance with any grant terms. The Chief Constable will provide professional advice and recommendations.
- 1.1.12 The PFCC and the Chief Constable are both required to appoint a Chief Finance Officer (CFO).

1.2 Status

- 1.2.1 These Financial and Procurement Regulations should not be seen in isolation, but rather as part of the overall regulatory and governance framework that is set out in the Constitution. This scheme also includes the Contract Standing Orders
- 1.2.2 The PFCC, Chief Constable and all officers and staff have a general duty to take reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money, and achieves best value.
- 1.2.3 Financial and Procurement Regulations explain the working financial relationships between the PFCC and the Chief Constable and the two Chief Finance Officers (CFOs) as well as the role played by the Chief Executive and Monitoring Officer.

- 1.2.4 The PFCC is responsible for approving or amending the Financial and Procurement Regulations. The PFCC's Chief Finance Officer is responsible for maintaining and reviewing the Financial and Procurement Regulations and submitting any additions or amendments to the PFCC and Chief Constable, after consulting the Chief Constable's CFO. Copies will be available on the PFCC's website and on the force's intranet.
- 1.2.5 A delegation in these Financial and Procurement Regulations to a Chief Officer shall permit further delegation to other officers provided that the terms of the delegation are clearly documented.
- 1.2.6 More detailed Financial Instructions to supplement these Regulations shall be issued by the Chief Constable after consultation with the PFCC, the two CFOs and the Chief Executive & Monitoring Officer.
- 1.2.7 The Chief Executive, the Chief Constable and the two Chief Finance Officers are responsible for ensuring that all employees, contractors, and agents are aware of the existence and content of these Financial and Procurement Regulations and that they are complied with.
- 1.2.8 Breaches of Financial and Procurement Regulations of a serious nature may result in disciplinary proceedings and, potentially, criminal action. Such cases shall be reported to the relevant CFO, who shall determine, after consulting with the Monitoring Officer, whether the matter shall be reported to the PFCC and / or Chief Constable.
- 1.2.9 The PFCC and all officers and staff have a duty to abide by the highest standards of probity (i.e., honesty, integrity, and transparency) in dealing with financial issues.
- 1.2.10 The Financial and Procurement Regulations shall only be suspended by a formal decision of the PFCC.

2 The Financial and Procurement Regulations

2.1 Navigating the Financial and Procurement Regulations

- 2.1.1 The Financial and Procurement Regulations are divided into several sections. References are made in the individual sections to delegated limits of authority with the actual value of each limit set out in Section G. Changes to delegated limits can then be made without reviewing the whole document.

Section A - Financial Management Framework
Section B - Financial Planning and Control
Section C - Management of Risk and Resources
Section D - Systems and Procedures
Section E - External Arrangements
Section F - Contract Standing Orders
Section G - Delegated Limits

2.2 Definitions within the Regulations

- 2.2.1 These Regulations refer to:

- a) The Police, Fire and Crime Commissioner for Essex (PFCC)
- b) The Chief Constable for Essex
- c) Essex Police

Glossary of Terms

- 2.2.2 The two Chief Finance Officers are the Section 151 Officers to the PFCC and Chief Constable, respectively.
- 2.2.3 The Chief Executive fulfils the role of Monitoring Officer.
- 2.2.4 The 'Force' refers to the Chief Constable, police officers, police staff, police community support officers (PCSO), special constabulary, volunteers, and other members of the wider police family under his /her direction and control.
- 2.2.5 'Employees' when referred to as a generic term refers to police officers, police staff and other members of the wider police family.
- 2.2.6 The expression 'statutory officers' refers to the Chief Executive (in their capacity as the Monitoring Officer) and the two Chief Finance Officers.
- 2.2.7 The expression 'contract' refers to any commitment (including purchase orders, memoranda of understanding, leases, and service level agreements) to acquire, purchase or sell goods, services or building works made on behalf of the PFCC, the Force or their affiliated bodies.
- 2.2.8 Best Value for Money (BVM) is the optimum combination of "whole life cost" (i.e., quality and ability to meet the contracting body's requirements) having regard also to social, economic, and environmental policy objectives alongside cost (i.e., acquisition cost, cost of maintenance and running costs, disposal

cost) of a purchase and its fitness for purpose. Accordingly, it includes both quantifiable and non-quantifiable or intangible costs and benefits.

- 2.2.9 The expression 'grant' refers to a payment made to a person or organisation for the purposes of crime and disorder reduction in accordance with section 9 of the Police Reform and Social Responsibility Act 2011.
- 2.2.10 Grants can be distinguished from 'contributions' by the Chief Constable from his budget that are payments made to a person or organisation to facilitate joint operational activities. This does not affect the discretion of the PFCC to make contributions from his budget.
- 2.2.11 Within these Regulations, most of the references have been made to the responsibilities of the Chief Constable since most of the day-to-day financial management is vested with that post. However, where resources are under the control of the Chief Executive or the PFCC's Chief Finance Officer, the duties, rights and powers as detailed for the Chief Constable shall apply equally to the Chief Executive or the Chief Finance Officer.
- 2.2.12 The terms Chief Constable, Chief Executive and Chief Finance Officer include any member of staff, contractor, or agent to whom particular responsibilities may be delegated. However, the level of such delegated responsibility must be evidenced clearly, made to an appropriate level, and the member of staff given sufficient authority, training, and resources to undertake the duty in hand.

2.3 The Role of Statutory and Key Officers

2.3.1 The PFCC's Chief Finance Officer

- 2.3.1.1 The PFCC's Chief Finance Officer has responsibility for proper financial administration and a personal fiduciary responsibility to the local council taxpayer.
- 2.3.1.2 The Chief Finance Officer's duties are set out in legislation, regulations, the Home Office Financial Management Code of Practice and CIPFA guidance and codes of practice.
- 2.3.1.3 The PFCC's Chief Finance Officer's statutory responsibilities are set out in:
- a) Paragraph 6 of Schedule 1 to the Police Reform and Social Responsibility Act 2011;
 - b) Section 151 of the Local Government Act 1972;
 - c) Section 114 of the Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure), and
 - d) The Accounts and Audit Regulations 2011
- 2.3.1.4 The PFCC's Chief Finance Officer is the PFCC's primary professional adviser on financial matters and shall be responsible for:
- a) Ensuring that the financial affairs of the PFCC are properly administered and that Financial and Procurement Regulations are observed and kept up to date.

- b) Ensuring regularity, propriety, and value for money (VfM) in the use of public funds.
- c) Ensuring that the funding required to finance agreed programmes is available from Central Government, council tax precept, other contributions, and recharges.
- d) Ensuring that there is adequate oversight and control of significant contracts.
- e) Reporting to the PFCC, the Police, Fire and Crime Panel and to the external auditor:
 - i. Any unlawful, or potentially unlawful, expenditure by the PFCC or officers of the PFCC.
 - ii. When it appears that any expenditure is likely to exceed the resources available to the PFCC to meet that expenditure.
 - iii. Advising the PFCC on the robustness of the estimates and the adequacy of financial reserves.
 - iv. Preparing the annual statement of accounts, in conjunction with the Chief Constable's CFO.
 - v. Ensuring the provision of an effective internal audit service, in conjunction with the Chief Constable's CFO.
 - vi. Securing the treasury management function, including loans and investments.
 - vii. Advising, in consultation with the Chief Executive, on the safeguarding of assets, including risk management and insurance.
 - viii. Arranging for the determination and issue of the precept.
 - ix. Liaising with the external auditor.
 - x. Advising the PFCC on the application of value for money principles by the police force to support the PFCC in holding the chief constable to account for efficient and effective financial management.

2.3.1.5 The PFCC's Chief Finance Officer, in consultation with the Chief Executive, the Chief Constable's CFO and / or Chief Constable as appropriate, shall be given powers to institute any proceedings or take any action necessary to safeguard the finances of the PFCC and the force.

2.3.1.6 The PFCC's Chief Finance Officer has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the PFCC on expenditure and preparing each year, in accordance with proper practices in relation to accounts, a statement of the PFCC's accounts, including group accounts.

2.3.1.7 The PFCC's Chief Finance Officer is the PFCC's primary professional adviser on financial matters. To enable them to fulfil these duties and to ensure the PFCC is provided with adequate financial advice, the Chief Finance Officer:

- a) Must be a key member of the PFCC's Senior Management Team, working closely with the Chief Executive, helping the team to develop and implement strategy and to resource and deliver the PFCC's strategic objectives sustainably and in the public interest.
- b) Must be actively involved in, and able to bring influence to bear on all strategic business decisions and considerations of the PFCC, to ensure

that the financial aspects of immediate and long-term implications, opportunities and risks are fully considered, and alignment with the PFCC's financial strategy.

- c) Must lead the promotion and delivery by the PFCC of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- d) Must ensure that the finance function is resourced to be fit for purpose.

2.3.2 The Chief Constable's Chief Finance Officer (Chief Constable's CFO)

2.3.2.1 The Chief Constable's CFO is the Chief Constable's Chief Finance Officer with responsibility for proper financial administration and a personal fiduciary responsibility to the local council taxpayer.

2.3.2.2 The Chief Constable's CFO's duties are set out in legislation, regulations, the Home Office Financial Management Code of Practice and CIPFA guidance and codes of practice.

2.3.2.3 The Chief Constable's CFO is responsible to the Chief Constable for all financial activities within the force or contracted out under the supervision of the force.

2.3.2.4 The Chief Constable's CFO's responsibilities are set out in:

- a) Paragraph 4 of Schedule 2 and paragraph 1 of Schedule 4 to the Police Reform and Social Responsibility Act 2011
- b) Section 151 of the Local Government Act 1972
- c) Section 114 of the Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure)
- d) The Accounts and Audit Regulations 2011

2.3.2.5 The Chief Constable's CFO is responsible for:

- a) Ensuring that the financial affairs of the force are properly administered, and that these financial and procurement regulations are observed and kept up to date.
- b) Reporting to the Chief Constable, the PFCC and their Chief Finance Officer, and to the external auditor:
 - i. Any unlawful, or potentially unlawful, expenditure by the Chief Constable or officers of the Chief Constable.
 - ii. When it appears that any expenditure of the Chief Constable is likely to exceed the resources available to it to meet that expenditure.
- c) Advising the Chief Constable on value for money in relation to all aspects of the force's expenditure.
- d) Advising the Chief Constable and the PFCC on the soundness of the budget in relation to the force
- e) Liaising with the external auditor.
- f) Working with the PFCC's Chief Finance Officer to produce the statement of accounts for the Chief Constable and to assist in the production of group accounts.

2.3.2.6 The Chief Constable's CFO has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the force on expenditure and preparing each year, in accordance with proper practices in relation to accounts, a statement of the Chief Constable's accounts. The Chief Constable's CFO will need to observe the locally agreed timetable for the compilation of the group accounts prepared by the PFCC's Chief Finance Officer.

2.3.2.7 The Chief Constable's CFO is the Chief Constable's professional adviser on financial matters. To enable him / her to fulfil these duties the Chief Constable's CFO:

- a) Must be a key member of the Chief Constable's Management Team, helping it to develop and implement strategy and to resource and deliver the PFCC's strategic objectives sustainably and in the public interest.
- b) Must be actively involved in, and able to bring influence to bear on all strategic business decisions and considerations of the Chief Constable to ensure immediate and longer-term implications, opportunities and risks are fully considered.
- c) Must lead the promotion and delivery by the Chief Constable of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- d) Must ensure that the finance function is resourced to be fit for purpose.

2.3.2.8 It must be recognised that financial regulations cannot foresee every eventuality. The Chief Constable's CFO, in consultation with the PFCC's CFO, shall be responsible for interpreting these regulations to ensure the efficient and effective operation of services.

2.3.3 **The Chief Executive and Monitoring Officer**

2.3.3.1 The Chief Executive is responsible for the leadership and general administration of the PFCC's office.

2.3.3.2 The Chief Executive is also the PFCC's designated Monitoring Officer, appointed under section 5(1) of the Local Government and Housing Act 1989.

2.3.3.3 As Monitoring Officer, they are responsible for:

- a) Ensuring the legality of the actions of the PFCC and their officers;
- b) Ensuring that procedures for recording and reporting key decisions are operating effectively;
- c) Advising the PFCC and officers about who has authority to take a particular decision;
- d) Advising the PFCC about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework, and
- e) Advising the PFCC on matters relating to standards of conduct.

Section A – Financial Management Framework

A.1 FINANCIAL MANAGEMENT STANDARDS

A.1.1 The PFCC, Chief Constable and all employees have a duty to abide by the highest standards of probity (i.e., honesty, integrity, and transparency) in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

A.1.2 The PFCC shall receive updates on the financial performance of the force and their office by receiving regular budget monitoring and outturn reports, and the Annual Audit Letter provided by the external auditors.

A.1.3 Responsibilities of the Chief Finance Officers:

- i) To ensure the proper administration of the financial affairs of the PFCC and the force.
- ii) To ensure that proper practices are adhered to.
- iii) To advise on the key strategic controls necessary to secure sound financial management.
- iv) To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.
- v) To ensure that all officers and staff are aware of, and comply with, proper financial management standards, including these Financial and Procurement Regulations.
- vi) To ensure that all staff are properly managed, developed, trained, and have adequate support to carry out their financial duties effectively.
- i) The Chief Constable shall ensure that specific duties and responsibilities in financial matters are made clear to individual officers and that these are properly recorded.

A.2 ACCOUNTING SYSTEMS, RECORDS AND RETURNS

A.2.1 Maintaining proper accounting records is one of the ways in which the PFCC and Chief Constable will discharge their responsibility for stewardship of public resources. There is a statutory responsibility to prepare their annual accounts to present a true and fair view of the financial position of the PFCC and the Chief Constable and of operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that adequate arrangements have been made for securing economy, efficiency, and effectiveness in the use of resources.

A.2.2 Joint responsibilities of the Chief Finance Officers:

- i) To determine the accounting policies and procedures to be adopted, in accordance with recognised accounting practices, and approve the strategic accounting systems and procedures employed by the Chief Constable. All employees shall operate within the required accounting policies and published timetables.
- ii) To make proper arrangements for the audit of the PFCC's and Chief Constable's accounts in accordance with the Accounts and Audit Regulations 2011.
- iii) To ensure that all claims for funds including grants are made by the due date.
- iv) To ensure that bank reconciliations and other key control accounts are reconciled on a timely and accurate basis.
- v) To prepare and publish the audited accounts in accordance with the statutory timetable.

A.2.3 Responsibilities of the Chief Constable and the Chief Constable's CFO:

- i) To obtain the approval of the PFCC's CFO before making any fundamental changes to accounting records and procedures or accounting systems.
- ii) To ensure that all transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- iii) To maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting statements.

A.2.4 Prime documents are to be retained in accordance with legislative requirements and the internal needs of the PFCC. The format of such documents shall satisfy the requirements of internal and external audit. The PFCC, their Chief Finance Officer, Chief Executive and Chief Constable shall be responsible for providing a detailed schedule of requirements and making this available to all appropriate officers.

A.3 THE ANNUAL STATEMENT OF ACCOUNTS

A.3.1 The PFCC has a statutory responsibility to prepare accounts to present a true and fair view of the financial position of the PFCC and the Chief Constable and of operations during the year. They must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts will comprise separate statements for the PFCC and Chief Constable as well as group accounts covering both entities.

A.3.2 The accounts are subject to detailed independent review by the external auditor. This audit provides assurance that the accounts are prepared correctly, that proper accounting practices have been followed and that arrangements

made for securing economy, efficiency, and effectiveness in the use of resources are adequate.

A.3.3 Responsibilities of the PFCC's Chief Finance Officer:

- i) To ensure production of the statements of accounts of the PFCC and to confirm that they present a true and fair view of the financial position of the PFCC at the end of the financial year to which it relates and of the PCC's income and expenditure for that financial year
- ii) To ensure receipt and scrutiny of the statement of accounts of the Chief Constable
- iii) To ensure production of the group accounts
- iv) Present the draft unaudited statement of accounts to the PFCC, at the most appropriate board, prior to publication
- v) To publish the approved and audited accounts each year, in accordance with the statutory timetable.

A.3.4 Joint responsibilities of the Chief Finance Officers:

- i) To draw up the timetable for final accounts preparation in consultation with the external auditor.
- ii) To select suitable accounting policies and apply them consistently.
- iii) To make judgements and estimates that are reasonable and prudent.
- iv) To comply with the Code of Practice on Local Authority Accounting.

A.3.5 Responsibilities of the Chief Constable's CFO:

- i) To comply with accounting guidance provided by the PFCC's CFO and provide them with appropriate information upon request within a reasonable timescale.
- ii) To produce the statement of accounts for the Chief Constable and to confirm that they present a true and fair view of the financial position of the Chief Constable at the end of the financial year to which it relates and of the Chief Constable's income and expenditure for that financial year; and
- iii) To present the draft unaudited statement of accounts to the Chief Constable, at the most appropriate board, prior to publication

A.3.6 Joint responsibilities of the PFCC and Chief Constable:

- i) To consider and approve the annual accounts in accordance with the statutory timetable.

Section B - Financial Planning and Control

B.1 FINANCIAL PLANNING

- B.1.1 Delivering a range of policing activities is complex and needs systems to be developed and implemented to enable scarce resources to be allocated in accordance with carefully considered priorities. Proper financial planning is essential if an organisation is to function effectively.
- B.1.2 The financial planning process should be directed by the approved policy framework, the business planning process, and the need to meet key objectives.
- B.1.3 The planning process should be continuous, and the planning period should cover 3 to 5 years. The process should include a more detailed annual plan, the budget, covering the forthcoming financial year. This allows the PFCC and the Chief Constable to plan, monitor and manage the way funds are allocated and spent during the financial year and over the medium term.
- B.1.4 The format of the annual budget determines the level of detail to which financial control and management will be exercised and shapes how the virement rules operate. The annual budget will be supported by a detailed objective analysis of spending.
- B.1.5 It is recognised that the impact of financial planning in the police service will be constrained by the quality and timing of information made available by Central Government on resource allocation.

B.2 MEDIUM TERM FINANCIAL STRATEGY (MTFS)

- B.2.1 The PFCC and the Chief Constable share responsibility to provide effective financial and budget planning for the short, medium, and longer term. This is achieved by preparing a medium-term financial strategy including financial projections for 3 to 5 years together with a capital programme covering the same period.
- B.2.2 Responsibilities of the PFCC:
- i) To identify and agree, in consultation with the Chief Constable and other relevant partners and stakeholders, a medium-term financial strategy which includes funding and spending plans for both revenue and capital. The strategy should take into account multiple years, the inter-dependencies of revenue budgets and capital investment, the role of reserves and consideration of risks. It should have regard to affordability and to CIPFA's Prudential Code for Capital Finance in Local Authorities. The strategy should be aligned with the Police and Crime Plan.

B.2.3 Responsibilities of the two Chief Finance Officers:

- i) To determine the format and timing of the medium-term financial strategy to be presented to the PFCC. The format is to comply with all legal requirements and with latest guidance issued by CIPFA.
- ii) To prepare a medium-term forecast of proposed income and expenditure for submission to the PFCC. When preparing the forecast, Chief Constable's CFO shall have regard to:
 - a) The Police and Crime Plan.
 - b) Policy requirements approved by the PFCC as part of the policy framework.
 - c) The Strategic Policing Requirement.
 - d) Unavoidable future commitments, including legislative requirements.
 - e) Initiatives already underway.
 - f) Revenue implications of the draft capital programme.
 - g) Proposed service developments and plans which reflect public consultation.
 - h) The need to deliver efficiency and/or productivity savings.
 - i) Government grant allocations.
 - j) Potential implications for local taxpayers.
- iii) To prepare a medium-term financial forecast, including options for the use of general balances, reserves and provisions, assumptions about future levels of government funding and demonstrate potential implications for local taxation.
- iv) A gap may be identified between available resources and required resources. Requirements should be prioritised by the Chief Constable to enable the PFCC to make informed judgements as to future funding levels and planning the use of resources.

B.3 ANNUAL REVENUE BUDGET PREPARATION

B.3.1 The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the PFCC's strategic policies. It provides the PFCC and Chief Constable with authority to incur expenditure and a basis on which to monitor the financial performance of both the PFCC and Chief Constable.

B.3.2 The PFCC should consult with the Chief Constable and other relevant partners and stakeholders in planning the overall annual budget which will include a separate force budget. This will take into consideration funding from government and from other sources, and balance the expenditure needs of the policing service against the level of local taxation. This should meet the statutory requirements to achieve a balanced budget (set out in the Local Government Act 2003) and be completed in accordance with the statutory timeframe.

B.3.3 The impact of the annual budget on the priorities and funding of future years as set out in the Police and Crime Plan and the medium-term financial strategy should be clearly identified.

B.3.4 Responsibilities of the PFCC:

- i) To agree the planning timetable with the Chief Constable.
- ii) To obtain the views of the local community on the proposed expenditure (including capital expenditure) in advance of the financial year to which the proposed expenditure relates.
- iii) To determine the use and allocation of all crime and disorder reduction grants.
- iv) To present the proposed budget and council tax recommendations to the Police, Fire and Crime Panel and respond to its views and comments.

B.3.5 Responsibilities of the PFCC's Chief Finance Officer:

- i) To determine the format of the revenue budget to be presented to the PFCC in consultation with the Chief Constable's CFO. The format is to comply with all legal requirements and with latest guidance issued by CIPFA.
- ii) To obtain timely and accurate information from billing authorities on the council tax base and the latest surplus/deficit position on collection funds to inform budget deliberations.
- iii) To advise the PFCC on appropriations from/to and or the appropriate level of general balances, earmarked reserves, or provisions to be held.
- iv) To submit a report to the PFCC on:
 - a) The robustness of the estimates and the adequacy of reserves and
 - b) The suite of prudential indicators for the next three years, arising from the Prudential Code for Capital Finance in Local Authorities. These indicators shall be consistent with the annual revenue budget and capital programme approved by the PFCC.
- v) Upon approval of the annual budget, to submit the council tax requirement return to central government and precept requests to appropriate bodies in accordance with the legal requirement.
- vi) To produce and issue information required by the billing authorities to explain how the precept will be used to pay for the cost of policing, in accordance with statutory requirements.

B.3.6 Responsibilities of the Chief Constable and the force's CFO:

- i) To prepare detailed budget estimates for all individual major projects as defined in Section G for the forthcoming financial year in accordance with the timetable agreed with the PFCC's CFO.
- ii) To submit estimates in the agreed format to the PFCC for approval.

- iii) To identify all proposed individual major revenue projects (a major revenue project shall be defined as one in excess of the value shown in Section G).
- iv) To approve allocation of grants in any one financial year without approval of the PFCC, subject to the limit set out in Section G.

B.4 BUDGETARY CONTROL

B.4.1 Budget management ensures that, once the PFCC has approved the budget, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling both the Chief Constable and PFCC to review and adjust their budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

B.4.2 The key controls for managing and controlling the revenue budget are that:

- i) There is a nominated budget manager for each subjective heading or operation who is accountable for the budgets under their direct / indirect control, and
- ii) The management of budgets must not be seen in isolation. It should be measured in conjunction with service outputs and performance measures

B.5 REVENUE BUDGET MONITORING

B.5.1 By continuously identifying and explaining variances against budgetary targets, the PFCC and the Chief Constable can identify changes in trends and resource requirements at the earliest opportunity. The PFCC and Chief Constable both operate within an annual cash limit, approved when setting the annual budget. To ensure that the budget is not overspent in total, the Chief Constable and PFCC are required to manage expenditure within their budget allocations, subject to the rules of virement.

B.5.2 Responsibilities of the Chief Constable and the Chief Constable's CFO:

- i) To provide appropriate financial information to enable budgets to be monitored effectively.
- ii) To ensure that each element of income or expenditure has a nominated budget manager to take responsibility for that part of the budget. Budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure.
- iii) To ensure that total spending for operational policing remains within the overall allocation of resources and take corrective action where significant variations from the approved budget are forecast. Where total projected expenditure exceeds the total allocation of resources due to circumstances beyond the control of the Chief Constable, the PFCC and their Chief Finance Officer shall be alerted immediately and proposals for remedy should be put forward as part of the regular reporting process to the PFCC.

- iv) To submit a budget monitoring report to the PFCC on a monthly basis throughout the year, containing the most recently available financial information. The reports shall be in a format agreed with the PFCC and their Chief Finance Officer.
- v) To ensure that budget holders manage income and expenditure within their area, monitor performance and report variances within their own areas to the Chief Constable and the Chief Constable's CFO.
- vi) To ensure that budget holders take any action necessary to avoid an adverse variation to their budget allocation and alert the Chief Constable and Chief Constable's CFO to any problems.
- vii) To require detailed budget monitoring to be undertaken by budget holders on a monthly basis and for this to be reported to the Chief Constable's CFO.
- viii) To ensure that budget holders receive sufficient financial support to enable them to undertake their budgetary control responsibilities.
- ix) To refer major revenue projects back to the PFCC for further approval where, when negotiating contract details, amendments to the nature of the scheme are sought or the cost of the scheme exceeds the limits shown in Section G.
- x) To carry forward underspends on the force's net operational budget in any financial year to the following financial year, subject to the limit set out in Section G.

B.5.3 Joint responsibility of the two Chief Finance Officers:

- i) To submit monthly budget monitoring reports, containing the most recently available financial information to the PFCC showing spending to date and comparisons of projected outturn with the latest approved budget.

B.5.4 Responsibilities of the PFCC's Chief Finance Officer:

- i) To co-ordinate a joint budget monitoring report for presentation to the PFCC's Performance and Resources Board, as necessary, containing the most recently available financial information.
- ii) To put in place appropriate monitoring systems and processes to ensure that quarterly reports on the financial performance of grants (including contributions) are tabled to the PFCC in addition to an annual report. These reports must include those grants not allocated or distributed by the PFCC at the date the report is produced.

B.5.5 Joint responsibilities of the Chief Executive and the PFCC's Chief Finance Officer:

- i) To manage the budget allocated for the PFCC's office
- ii) To ensure that total spending for the PFCC's office remains within the overall allocation of resources and take corrective action where significant variations from the approved budget are forecast.

- iii) Where total projected expenditure exceeds the total allocation of resources due to circumstances beyond the control of the Chief Executive, the PFCC shall be alerted immediately together with proposals to remedy the situation as part of the regular reporting process to the PFCC.

B.6 REVENUE VIREMENTS

B.6.1 A virement is a planned reallocation of resources between approved budgets. The scheme of virement is intended to enable Chief Constables' CFO to manage the budgets with a degree of flexibility within the overall policy framework determined by the PFCC and, therefore, to provide the opportunity to optimise the use of resources for emerging needs.

B.6.2 The Chief Constable is expected to exercise discretion in managing budgets responsibly and prudently and should only be required to refer back to the PFCC when virement would incur substantive changes in the policy of the PFCC or where a virement might create a future year or continuing commitment.

B.6.3 The Chief Constable shall still be held to account by the PFCC for decisions made and the way in which resources are deployed. The virement rules allow greater freedom but require detailed reports on significant changes.

B.6.4 Key controls for the scheme of virement are:

- i) It is administered by the Chief Constable's CFO within delegated powers given by the PFCC. Any variation from this scheme requires the approval of the PFCC.
- ii) The Chief Constable's CFO can delegate authority to officers and staff in accordance with these arrangements.
- iii) The overall budget is agreed by the PFCC.
Budget holders are therefore authorised to incur expenditure in accordance with the budgeted expenditure headings, subject to agreed virement rules, and within the limit of total resources allocated.
- iv) Virement does not create additional overall budget liability.
- v) Any variation from this scheme requires the approval of the PFCC
- vi) Where revised budgets or forecast income and expenditure vary to a significant degree from the original budget approved by the Police, Fire and Crime Panel, the explanation will be included in the monthly Financial Monitoring Report.
- vii) As part of the monitoring and control process, reporting of potential variations from the budget and proposals for reallocation of resources shall be made as early as possible in the financial year.

B.6.5 Responsibilities

B.6.6 The limits that apply on virements between budget headings are defined in Section G.

B.6.7 Virements are permissible, however the relevant CFO, in consultation with the Chief Constable and PFCC, can withdraw the ability for virement in any year should they feel it is prudent to do so.

B.6.8 The exceptions to the above framework are that:

- i) Virement is not permitted in relation to financing items such as asset charges or where a proposal would adversely affect long term revenue commitments of the Force and the PFCC.
 - ii) When the virement is between an income budget line and an expenditure budget line which is directly related, approval is by the CFOs and the income and expenditure budgets will be increased for budget monitoring purposes.
- viii) The Chief Constable may authorise the financing of capital expenditure from the revenue budget, up to the level shown below in Section G.
- ix) Budget lines will be cash limited and defined each year as part of the budget approval.
- x) All requests for virement must be made in the format prescribed by the CFOs and information on the virements within the limits set out in Section G will be available to support budget monitoring report information.

B.6.9 The approval of the PFCC shall be required if the virement involves:

- i) A substantial change in policy, or
- ii) A significant addition to commitments in future years, or
- iii) Where resources to be transferred were originally provided to meet expenditure of a capital nature.

B.7 CAPITAL PROGRAMME

B.7.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value, such as land, buildings, and major items of plant, equipment, or vehicles. Capital assets shape the way services are delivered in the long term and may create financial commitments in the form of financing costs and revenue running costs.

B.7.2 Capital investment can be undertaken providing the spending plans are affordable, prudent, and sustainable. CIPFA's Prudential Code sets out the framework under which the PFCC will consider their spending plans.

B.7.3 The capital programme is linked to the Estates Strategy and other strategies involving proposals for significant investment in capital assets included within the approved Medium-Term Financial Strategy.

B.7.4 Responsibilities of the Chief Constable

- i) To develop and implement asset management plans approved by the PFCC.

B.7.5 Responsibilities of the Chief Finance Officers:

- i) To prepare a Medium-Term Financial Strategy for consideration and approval by the PFCC as described in section B.2.

B.7.6 Responsibilities of the PFCC:

- i) To approve the Estates Strategy and asset management plans together with other strategies involving proposals for significant investment in capital assets.
- ii) To approve the capital programme.

B.7.7 Responsibilities of the Chief Constable and the Chief Constable's CFO:

- i) To prepare a three- to five-year rolling programme of proposed capital expenditure for consideration and approval by the PFCC and their Chief Finance Officer. Each scheme shall identify the total capital cost of the project and any additional revenue commitments.
- ii) To prepare project appraisals for all schemes in the draft capital programme for submission to the PFCC and their Chief Finance Officer for consideration and scheme approval. This will include all additional revenue and capital costs and provide evidence of the scheme's viability for inclusion in the capital programme.

B.7.8 Each capital project shall have a named officer responsible for sponsoring the scheme, monitoring progress, and ensuring completion of the scheme.

B.7.9 To identify, in consultation with the PFCC's Chief Finance Officer, available sources of funding the capital programme including the identification of potential capital receipts from disposal of assets.

B.7.10 A gap may be identified between available resources and required capital investment. Requirements should be prioritised by the Chief Constable to enable the PFCC to make informed judgements as to which schemes should be included in the capital programme, the minimum level of funding required for each scheme and the potential phasing of capital expenditure.

B.7.11 Subject to the limit shown in Section G and with the exception of professional fees (e.g., feasibility studies and planning fees), no capital expenditure or disposal shall be incurred unless the scheme is approved by the PFCC.

B.7.12 Responsibilities of the PFCC's Chief Finance Officer:

- i) To make recommendations to the PFCC on the most appropriate level of revenue support and appropriate levels of borrowing, under the Prudential Code, to support the capital programme.

B.7.13 Responsibilities of the PFCC:

- i) To approve a fully funded medium-term capital programme.

B.8 ANNUAL CAPITAL PROGRAMME

B.8.1 Responsibility of the PFCC:

- i) To agree the annual capital programme, and how it is to be financed.

B.8.2 Responsibilities of the Chief Constable:

- i) Approval of the annual capital programme by the PFCC authorises the Chief Constable to incur expenditure on schemes providing the project appraisal has been approved and expenditure on the scheme does not exceed the sum contained in the approved programme by more than the amounts identified in Section G.
- ii) To ensure that property leases, finance leases or other credit arrangements with a value or term above the limits set out in Section G are not entered into without the prior approval of the PFCC's Chief Finance Officer.

B.9 MONITORING CAPITAL EXPENDITURE

B.9.1 Responsibility of the Chief Constable:

- i) To ensure that adequate records are maintained for all capital contracts.

B.9.2 Responsibilities of the Chief Constable and the Chief Constable's CFO:

- i) To monitor progress of the capital programme and expenditure throughout the year against the approved programme.
- ii) To submit capital monitoring reports to the PFCC on a monthly basis throughout the year. These reports are to be based on the most recently available financial information. The monitoring reports will show spending to date and compare projected income and expenditure with the approved programme. The reports shall be in a format agreed by the PFCC's Chief Finance Officer.
- iii) To prepare a business case for all new capital schemes [after the annual programme has been agreed] for submission to the PFCC for consultation and approval if above the limits set out in the Delegated Limits in Section G. Amendments to the programme increasing its overall cost must demonstrate how such changes are to be funded.

B.9.3 Responsibilities of the Chief Finance Officers:

- i) To report on the outturn of capital expenditure as part of the annual report on the statutory accounts.

B.10 MAINTENANCE OF BALANCES AND RESERVES

B.10.1 The PFCC must decide the level of general reserves they wish to retain before they can decide the level of council tax precept. Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby help protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.

B.10.2 Responsibilities of the PFCC's Chief Finance Officer:

- i) To advise the PFCC on reasonable levels of balances and reserves.
- ii) To report to the PFCC on the adequacy of reserves and balances before they approve the annual budget and council tax.
- iii) To approve appropriations to and from each earmarked reserve. These will be separately identified in the Annual Statement of Accounts.
- iv) To publish the PFCC's reserves strategy on the PFCC website in line with Home Office guidance.

B.10.3 Responsibilities of the two Chief Finance Officers:

- i) To present a business case to the PFCC for one-off expenditure items to be funded from earmarked and / or general reserves.

B.10.4 Responsibilities of the PFCC:

- i) To approve a policy on reserves and balances, including lower and upper parameters for the level of general balances.
- ii) To approve the creation of each earmarked reserve. The purpose, usage and basis of transactions should be clearly identified for each reserve established.
- iii) To approve the allocation of monies to and from general and earmarked reserves, as part of the annual budget setting process.

SECTION C - MANAGEMENT OF RISK AND RESOURCES

C.1 RISK MANAGEMENT AND BUSINESS CONTINUITY

C.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all potential significant corporate and operational risks. This should include the proactive participation of all those associated with planning and delivering services.

C.1.2 All organisations, whether private or public sector, face risks to people, property, and continued operations. Risk is the chance or possibility of loss, damage, injury, or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk cannot be eliminated altogether. However, risk management is the planned and systematic approach to the identification, evaluation, and control of risk. Its objectives are to secure the assets of the force and the PFCC and to ensure continued corporate and financial wellbeing. In essence, it is an integral part of good business practice.

C.1.3 Responsibilities of the PFCC and Chief Constable:

- i) The PFCC and Chief Constable are jointly responsible for approving the risk management policy statement and strategy, and for reviewing the effectiveness of risk management.

C.1.4 Responsibilities of the Chief Executive and Chief Constable:

- i) To prepare a risk management policy statement, promote a culture of risk management awareness throughout the force and PFCC and review risk as an ongoing process.
- ii) To implement procedures that identify, assess, prevent, or contain material known risks and ensure that a monitoring process is in place that reviews regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be formalised and conducted on a continuing basis.
- iii) To ensure that appropriate business continuity plans are developed, implemented, and tested on a regular basis.

C.1.5 Responsibilities of the PFCC's Chief Finance Officer:

- i) To advise the PFCC on appropriate arrangements for insurance. Acceptable levels of risk should be determined and insured against where appropriate. Activities leading to levels of risk assessed as unacceptable should not be undertaken.
- ii) To arrange for regular reviews to be undertaken of their own self-insurance arrangements and, following these reviews, to recommend to the PFCC a course of action to ensure that, over the medium term, the funds are available to meet all known and potential liabilities.

C.1.6 Responsibilities of the Chief Constable:

- i) To ensure, in consultation with the PFCC's Chief Finance Officer, that appropriate insurance cover is provided, including where new risks are identified or circumstances affecting risks change.
- ii) To administer insurance matters including the settlement of liability claims.
- iii) To notify the PFCC's Chief Finance Officer of any significant claims.
- iv) To notify the Chief Executive of any terms of indemnity requested.
- v) To ensure that claims made against insurance policies are made promptly.
- vi) To make all appropriate employees aware of their responsibilities for managing relevant risks.
- vii) To ensure that employees, or any party covered by the force's and / or PFCC's insurance, are instructed not to admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- viii) To ensure that a comprehensive risk register is produced and updated regularly, and that corrective action is taken at the earliest possible opportunity to either transfer, treat, tolerate, or terminate the identified risk.
- ix) To settle civil claims in accordance with the arrangements set out in Section G.

C.1.7 Responsibilities of the Chief Executive:

- i) To evaluate and authorise any terms of indemnity that are requested by external parties.
- ii) To approve before any contract for works is made that the insurance cover to be furnished by the contractor in respect of any act or defaults provides adequate cover unless cover is provided by the PFCC.

C.2 INTERNAL CONTROL SYSTEM

C.2.1 Internal control refers to the systems of control devised by management to help ensure objectives of the PFCC and the Chief Constable are achieved in a manner that promotes economical, efficient, and effective use of resources, and that assets and interests are safeguarded.

C.2.2 Policing is complex and requires an internal control framework to manage and monitor progress towards strategic objectives. The PFCC and the Chief Constable have statutory obligations, and therefore require a system of internal control to identify, meet and monitor compliance with these obligations.

C.2.3 The PFCC and the Chief Constable face a wide range of financial, administrative, and commercial risks, both from internal and external factors, which threaten the achievement of their objectives. Systems of internal control are necessary to manage these risks. These systems of internal control are established in order to provide achievement of:

- i) Efficient and effective operations
- ii) Reliable financial information and reporting
- iii) Compliance with laws and regulations
- iv) Risk management

C.2.4 Responsibilities of the Chief Executive and Chief Constable:

- i) To implement effective systems of internal control, in accordance with advice from the Chief Finance Officers. These arrangements shall ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They shall ensure that public resources are properly safeguarded and used economically, efficiently, and effectively.
- ii) To ensure that effective key controls exist and are operating in managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance information, and taking appropriate anticipatory and remedial action where necessary. The key objective of these control systems is to define roles and responsibilities.
- iii) To ensure that effective key controls are operating in financial and operational systems and procedures. This includes physical safeguarding of assets, segregation of duties, authorisation and approval procedures and robust information systems.
- iv) To produce an Annual Governance Statement for consideration and approval by the PFCC. Following approval, the Annual Governance Statement should be signed by the Chief Executive, Chief Constable and PFCC.

C.3 INTERNAL AUDIT REQUIREMENTS

C.3.1 Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates, and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient, and effective use of resources.

C.3.2 The requirement for an internal audit function for local authorities is either explicit or implied in the relevant local government legislation (particularly section 151 of the Local Government Act 1972), which requires that authorities "make arrangements for the proper administration of their financial affairs". In the police service the PFCC and Chief Constable are required to maintain an effective audit of their affairs by virtue of the Accounts and Audit Regulations 2011 (as amended) which state that a "relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The guidance accompanying the legislation states that proper internal control practices for internal audit are those contained in the CIPFA Code of Practice.

C.3.3 In fulfilling this requirement, the PFCC and Chief Constable should have regard to the Code of Practice for Internal Audit in Local Government in the United Kingdom issued by CIPFA. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

C.3.4 In addition to enabling the PFCC and the Chief Constable to fulfil their requirements in relation to the relevant Accounts and Audit Regulations, Internal Audit is needed:

- i) To satisfy the PFCC and the Chief Constable that effective internal control systems are in place, and
- ii) To satisfy the external auditor that financial systems and internal controls are effective and that the Police Fund is managed to secure value for money.

C.3.5 The Terms of Reference of the independent Joint Audit Committee (JAC) are set out as Appendix 2 to the PFCC Constitution.

C.3.6 Responsibilities of the PFCC and Chief Constable:

- i) To ensure the provision of an adequate and effective internal audit service.

C.3.7 Responsibilities of the PFCC, Chief Constable, and Chief Finance Officers:

- i) To ensure that internal auditors, having been security cleared, have the authority to:
 - a) Access police and PFCC premises at reasonable times;
 - b) Access all assets, records, documents, correspondence, control systems and appropriate personnel;
 - c) Receive any information and explanation considered necessary concerning any matter under consideration;
 - d) Require any employee to account for cash, stores, or any other police and PFCC asset under their control, and
 - e) Access records belonging to contractors, when required. This shall be achieved by including an appropriate clause in all contracts.

C.3.8 Internal Audit shall have direct access to all senior officers and employees, where necessary.

C.3.9 Responsibilities of the Head of Internal Audit:

- i) To prepare - in consultation with the PFCC, Chief Constable, and the Chief Finance Officers - an annual audit plan that conforms to the CIPFA Code of Practice, for consideration by the independent Joint Audit Committee.
- ii) To attend meetings of the independent Joint Audit Committee and to present to each Committee a report on the progress in delivering the annual plan, the matters arising from audits, and the extent to which agreed actions in response to issues raised in the audit reports have been delivered.
- iii) To present an annual report to the independent Joint Audit Committee, including an opinion on the effectiveness of the internal control environment within the force and PFCC.

C.3.10 Responsibilities of the Chief Executive and the PFCC's Chief Finance Officer:

- i) To consider and respond promptly to control weaknesses, issues and recommendations in audit reports and ensure that all critical or significant agreed actions arising from the audit are carried out in accordance with the agreed action plan included in each report.

C.3.11 Responsibilities of the Chief Constable's CFO:

- i) To ensure that new systems for maintaining financial records or records of assets, or significant changes to existing systems, are discussed with and agreed by the PFCC's Chief Finance Officer and Internal Audit prior to implementation.
- ii) To notify the PFCC's Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use, or misappropriation of police or PFCC property or resources. Pending investigation and reporting, the Chief Constable should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration. Investigation of internal financial irregularities shall normally be carried out by the Professional Standards Department, which shall consult with the Head of Internal Audit as appropriate and keep them informed of progress. At the conclusion of the investigation the Head of Internal Audit shall review the case to identify any internal control weaknesses that allowed the financial irregularity to happen and shall make recommendations to ensure that the risk of recurrence is minimised. The operation of this regulation shall be in accordance with the agreed protocol between the Head of Professional Standards, the Chief Constable's CFO, and the Head of Internal Audit.

C.4 EXTERNAL AUDIT

C.4.1 The then Secretary of State for Communities and Local Government delegated statutory functions on a transitional basis from the Audit Commission to Public Sector Audit Appointments Limited (PSSA) by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

C.4.2 Under these transitional arrangements, PSAA is responsible for appointing auditors to local government, police, and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims. Before 1 April 2015, these responsibilities were discharged by the Audit Commission.

C.4.3 The Secretary of State specified PSAA as an appointing person under provisions of the Local Audit and Accountability Act 2014. For audits of the accounts, PSAA will appoint an auditor to relevant principal local government bodies that opt into its national scheme. Where an organisation opts out of the PSAA arrangement it will be required to secure their external auditors in compliance with the Contract Standing Order included in Section F.

C.4.4 The external auditor has rights of access to all documents and information necessary for audit purposes. The duties of the external auditor are defined in the Local Audit and Accountability Act 2014. In particular, Part 5 of the Act requires the local auditor to prepare a code of audit practice, which external auditors follow when carrying out their duties.

C.4.5 Responsibilities of the Chief Finance Officers:

- i) To liaise with the external auditor and advise the PFCC and Chief Constable on their responsibilities in relation to external audit and ensure there is effective liaison between external and internal audit.
- ii) To provide the Home Office with a copy of the annual audit letter.

C.4.6 Responsibilities of the Chief Constable and the PFCC's Chief Finance Officer:

- i) To ensure that, for the purposes of their work, the external auditors are given the access to which they are statutorily entitled in relation to premises, assets, records, documents, correspondence, control systems and personnel, subject to appropriate security clearance.
- ii) To respond to draft action plans and to ensure that agreed recommendations are implemented in a timely manner.

C.5 OTHER INSPECTION BODIES

C.5.1 The force and the PFCC may, from time to time, be subject to audit, inspection, or investigation by external bodies such as Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and HM Revenue & Customs, who have statutory rights of access.

C.6 PREVENTING FRAUD AND CORRUPTION

C.6.1 The PFCC and the Chief Constable will not tolerate fraud or corruption in the administration of their responsibilities, whether from inside or outside their organisations.

C.6.2 Expectations of propriety and accountability are that the PFCC, Chief Constable and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures, and practices.

C.6.3 It is expected that all individuals and organisations (e.g., suppliers, contractors, and service providers) with whom they come into contact will act with honesty and integrity and without thought or actions involving fraud or corruption.

C.6.4 Responsibilities of the PFCC and Chief Constable:

- i) To foster a culture that will not tolerate fraud and corruption, as well as a culture that supports and affords protection to those who report concerns made in good faith, be it by whistleblowing or normal management reporting lines.
- ii) To approve and maintain effective anti-fraud and anti-corruption strategies and fraud response plan.
- iii) To ensure that adequate and effective internal control arrangements are in place.
- iv) To adopt, maintain and adhere to policies for the registering of interests and the receipt of hospitality and gifts covering the PFCC, Chief Constable and their employees. Registers of interests and registers of hospitality and gifts shall be maintained for the PFCC, the Chief Constable and their employees.
- v) To adopt, maintain and adhere to a whistle blowing policy to provide a facility that enables employees, the general public and contractors to make allegations of fraud, misuse, and corruption in confidence, and without recrimination, to an independent contact. Procedures shall ensure that allegations are investigated robustly as to their validity, are not malicious and that appropriate action is taken to address any concerns identified. The Chief Constable and the PFCC's Chief Executive and Monitoring Officer shall ensure that all employees are aware of any approved whistle blowing policy.
- vi) To implement and maintain a clear internal financial control framework setting out the approved financial systems to be followed by all members and employees.

C.6.5 Joint responsibilities of the Chief Executive, the PFCC's Chief Finance Officer and the Chief Constable:

- i) To prepare an effective anti-fraud and corruption strategy and fraud response plan for approval by the PFCC and Chief Constable.
- ii) To adhere to appropriate legislation, e.g., the Public Interest Disclosure Act 1998.

- iii) To arrange for any suspected incidents of fraud or corruption to be reported in line with the protocol agreed by the PFCC's Chief Finance Officer, the Chief Constable, and Head of Internal Audit and for these to be unrestricted in line with the agreed plan.

C.7 ASSETS

C.7.1 Assets are held in the form of land, property, vehicles, equipment, furniture, and other items, together worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, that there are arrangements for the security of both assets and information required for service operations and that proper arrangements exist for the disposal of assets. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management which provides information about assets so that they are:

- a) Accurately recorded and classified.
- b) Safeguarded against loss.
- c) Used efficiently and effectively.
- d) Adequately maintained.
- e) Valued in accordance with statutory and management requirements.

C.7.2 Context

C.7.3 The PFCC will own and fund all assets regardless of whether they are used by the PFCC, by the force or by both bodies. However, with consent from the PFCC, the Chief Constable can acquire property (other than land or buildings) as set out in the Scheme of Consent.

C.7.4 The Chief Constable is responsible for the direction and control of the force and should therefore have day-to-day management of all assets used by the force.

C.7.5 The PFCC should consult the Chief Constable in planning the budget and developing a medium-term financial strategy. Both these processes should involve a full assessment of the assets required to meet operational requirements, including in terms of human resources, infrastructure, land, property, and equipment.

C.7.6 Joint responsibilities of the PFCC and Chief Constable:

To ensure that:

- i) Assets are only used for the purposes of the Chief Constable and the PFCC and are available for use when required and are properly accounted for.
- ii) An asset register is maintained that provides information about fixed assets so that they are safeguarded, used efficiently and effectively, adequately maintained and valued in accordance with statutory and management requirements.

- iii) Assets and records of assets are properly maintained and securely held and that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.
- iv) Lessees and other prospective occupiers of land owned by the PFCC are not allowed to take possession or enter the land until a lease or agreement has been established as appropriate.
- v) Title deeds to PFCC property are held securely.
- vi) No PFCC asset is subject to personal use by an employee without proper authority.
- vii) Valuable and portable items such as computers, cameras and video recorders are identified with security markings as belonging to the Chief Constable or PFCC.
- viii) All employees are aware of their responsibilities with regard to safeguarding assets and information, including the requirements of the Data Protection Act and software copyright legislation.
- ix) Assets no longer required are disposed of in accordance with the law and these financial regulations.
- x) All employees are aware of their responsibilities with regard to safeguarding the security of Chief Constable's and PFCC's ICT systems, including maintaining restricted access to the information held on them and compliance with the information and security policies.

C.8 VALUATION

C.8.1 Responsibilities of the Chief Constable:

- i) To maintain an asset register for all fixed assets with a value in excess of the limits shown in Section G, in a form approved by the PFCC's Chief Finance Officer. Assets are to be recorded when they are acquired by the force or the PFCC. Assets shall remain on the asset register until disposal. Assets are to be valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and the requirements specified by the PFCC's Chief Finance Officer.

B) INVENTORIES

C.8.2 Responsibilities of the Chief Constable:

- i) To ensure that inventories are maintained in a format approved by the CFOs that records an adequate description of items with a value in excess of the amount shown in Section G. Other items of equipment should also be recorded if they are deemed to be both desirable and portable (e.g., laptops).

C.8.3 Responsibilities of the PFCC:

- i) To ensure that inventories are maintained in a format approved by the PFCC's Chief Finance Officer that record an adequate description of items with a value in excess of the amount shown in Section G. Other items of equipment should also be recorded if they are deemed to be both desirable and portable (e.g., laptops).

C) STOCKS AND STORES

C.8.4 Responsibilities of the Chief Constable

- i) To make arrangements for the care, custody and control of the stocks and stores of the force and maintain detailed stores accounts in a form approved by the PFCC's Chief Finance Officer.
- ii) To undertake a complete stock check at least once per year either by means of continuous or annual stock takes. The stock take shall be undertaken and certified by an authorised member of staff who is independent of the stock keeping function. This procedure shall be followed, and a complete stock check undertaken whenever stock keeping duties change.
- iii) Discrepancies between the actual level of stock and the book value of stock may be written-off, in consultation with the PFCC's Chief Finance Officer in line with the limits shown in Section G. Amounts for write off above this value must be referred to the PFCC's Chief Finance Officer for approval supported by a written report.
- iv) To write-off obsolete stock, up to the limits shown in Section G. Amounts for write off above this value must be referred to the PFCC's Chief Finance Officer for approval supported by a written report.

D) INTELLECTUAL PROPERTY

C.8.5 Intellectual property is a generic term that includes inventions and writing.

C.8.6 If any Intellectual Policy is created by the employee during the course of employment, then, as a rule, this will belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property. Certain activities undertaken within the force and the PFCC may give rise to items that could be patented, for example, software development. These items are collectively known as intellectual property.

C.8.7 In the event that the Chief Constable or PFCC decides to become involved in the commercial exploitation of inventions, the matter should be brought to the attention of the Chief Executive.

C.8.8 It is the responsibility of the Chief Constable to ensure that employees are aware of these procedures.

C.8.9 It is the responsibility of the Chief Executive to prepare guidance on intellectual property procedures and ensure that employees are aware of these procedures.

C.8.10 It is the joint responsibility of the Chief Constable and PFCC to approve the intellectual property policy.

E) ASSET DISPOSAL

C.8.11 The PFCC shall approve all disposals of land and buildings subject to the provisions below.

C.8.12 Assets shall be disposed of when in the best interests of the force and the PFCC and at the most advantageous price. Where this is not the highest offer, a report must be prepared for the PFCC outlining the reasons.

C.8.13 Responsibilities of the Chief Constable:

- i) To dispose of surplus land and buildings, vehicles, and items of equipment up to the estimated value shown in Section G; items above this value being disposed of by public auction or sealed bids after advertisement.
- ii) To record all asset disposals in the asset register or inventory as appropriate.

C.8.14 Responsibilities of the Chief Finance Officers:

- i) To ensure that asset disposal is at the most advantageous price and that income is received and accounted for.

F) TREASURY MANAGEMENT

C.8.15 It is important that monies held by the PFCC, and the force are managed properly, in a way that balances risk with return, but with the prime consideration being given to the security of the capital sums involved.

C.8.16 The PFCC has adopted the CIPFA Code of Practice on Treasury Management. The primary requirements of the Code are:

- i) A treasury management policy statement, stating the policies, objectives, and approach to risk management of its treasury management activities.
- ii) Approved Treasury Management Practices (TMPs) setting out the way the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.
- iii) Approval of the annual Treasury Management Strategy Statement (TMSS) including the annual investment strategies and Minimal Revenue Provision (MRP) policy; an annual report and, as a minimum, a Mid Term Review report covering Treasury Management activities.

C.8.17 Responsibilities of the PFCC:

- i) To adopt the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice.
- ii) To approve the annual TMSS including the annual investment strategy and MRP policy.
- iii) To receive and approve an annual report on treasury management activity and a Mid Term Review report.

C.8.18 Responsibilities of the PFCC's Chief Finance Officer:

- i) To implement and monitor treasury management policies and practices in line with the CIPFA Code and other professional guidance.
- ii) To prepare reports on the PFCC's treasury management policies, practices, and activities, including, as a minimum, an annual Treasury Management Strategy Statement, including annual investment strategy and MRP policy.
- iii) To execute and administer treasury management in accordance with the CIPFA Code and the PFCC's policy.
- iv) To arrange borrowing and investments, in compliance with the CIPFA Code.
- v) To ensure that all investments and borrowings are made in the name of the PFCC for Essex.

G) BANKING ARRANGEMENTS

C.8.19 Our banking activities are controlled by a single contract which aims to provide a wide range of complex and specialist banking services to departments, establishments, and staff. A consistent and secure approach to banking services is essential in order to achieve optimum performance from our bankers and the best possible value for money.

C.8.20 Responsibilities of the PFCC's Chief Finance Officer:

- i) To have overall responsibility for the banking arrangements for the PFCC.
- ii) To develop a policy on the establishment and maintenance of bank accounts, in consultation with the Chief Constable's CFO.
- iii) To authorise the opening and closing of all PFCC bank accounts. No other employee shall open a bank account unless they are performing a statutory function in their own right.
- iv) To arrange for bank reconciliations to be undertaken on a timely and accurate basis.
- v) To determine signatories on all PFCC bank accounts.

H) IMPREST ACCOUNTS / PETTY CASH

C.8.21 Cash advances may be made to an individual in a department / establishment in order that relatively small incidental payments may be made quickly. A record of disbursements from the account should be maintained to control the account and so that the expenditure may be substantiated, accurately reflected in the PFCC's accounts, and correctly reimbursed to the account holder.

C.8.22 Responsibilities of the Chief Constable's CFO:

- i) To provide appropriate employees with cash, bank imprests or pre-paid cash cards to meet minor expenditure on behalf of the Chief Constable. The Chief Constable shall determine reasonable petty cash limits and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.
- ii) To prepare detailed financial instructions for dealing with petty cash, to be agreed with the PFCC's Chief Finance Officer and issued to all appropriate employees.

C.8.23 Responsibilities of the PFCC's Chief Finance Officer:

- i) To provide appropriate employees with cash, bank imprests or pre-paid cash cards to meet minor expenditure on behalf of the PFCC. To determine reasonable petty cash limits and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.

I) MONEY LAUNDERING

C.8.24 The Chief Constable and PFCC are alert to the possibility that they may become the subject of an attempt to involve them in a transaction involving the laundering of money.

C.8.25 Suspicious cash deposits in any currency should be reported to the National Crime Agency (NCA).

C.8.26 Internal control procedures will be monitored to ensure they are reliable and robust.

C.8.27 Responsibilities of the PFCC's Chief Finance Officer:

- i) To be the nominated Money Laundering Reporting Officer (MLRO).
- ii) Upon receipt of a disclosure to consider, in the light of all information, whether it gives rise to such knowledge or suspicion.
- iii) To disclose relevant information to the National Crime Agency (NCA)

C.8.28 Responsibilities of the Chief Constable's CFO:

- i) To undertake appropriate checks to ensure that all new suppliers and counterparties are bona fide.

C.8.29 Responsibilities of employees:

- i) To notify the PFCC's Chief Finance Officer as soon as they receive information which may result in them knowing or having reasonable grounds for knowing or suspecting money laundering, fraud, or use of the proceeds of crime.

J) STAFFING

C.8.30 Staffing costs form the largest element of the annual policing budget. An appropriate HR strategy should exist, in which staffing requirements and budget allocations are matched. The PFCC is responsible for approving the budget provision in consultation with the Chief Constable.

C.8.31 Responsibilities of the Chief Constable:

- i) To ensure that employees are appointed, employed, and dismissed in accordance with relevant statutory regulations, national agreements and personnel policies, budgets and strategies agreed by the PFCC and that there is a proper use of the evaluation or other agreed systems for delivering the remuneration of a job.
- ii) To advise the PFCC on the budget necessary in any given year to cover estimated staffing levels.
- iii) To adjust the staffing numbers to meet the approved budget provision and varying the provision as necessary within policy constraints in order to meet changing operational needs.
- iv) To have systems in place to record all matters affecting payments to staff, including appointments, resignations, dismissals, secondments, suspensions, transfers, and all absences from work.
- v) To approve, in consultation with the PFCC's Chief Finance Officer, policy arrangements for premature retirements on grounds of ill-health or efficiency for all staff and redundancy arrangements for support staff.

C.8.32 The Chief Executive has the same responsibilities as above for staff employed directly by the PFCC.

K) RESOURCE & COST ANALYSIS

C.8.33 CIPFA has introduced the Police Objective Analysis (POA) to enable forces to compare costs in relation to specific categories of policing. The results can be used to help ensure activities and resources are aligned with local policing plan priorities and to match supply and demand.

C.8.34 The Chief Constable is responsible for analysing costs on the basis of the POA in accordance with CIPFA requirements and International Financial Reporting Standards (IFRS).

L) TRUST FUNDS

C.8.35 Trust Funds have a formal legal status governed by a Deed of Trust. Employees and police officers acting as trustees must ensure that they are conversant with the requirements of the Trust Deed and the law and comply fully with them.

C.8.36 Our financial procedures and financial regulations should be adhered to.

C.8.37 No employee shall open a trust fund without the specific approval of the Chief Constable and the PFCC's CFO and / or the Chief Constable's CFO.

C.8.38 Responsibilities of Trustees:

- i) All employees acting as trustees by virtue of their official position shall ensure that accounts are audited as required by law and submitted annually to the appropriate body, and the PFCC's CFO and / or the Chief Constable's CFO shall be entitled to verify that this has been done.

M) ADMINISTRATION OF EVIDENTIAL & NON-EVIDENTIAL PROPERTY

C.8.39 The Chief Constable is required to exercise a duty of care and safeguard evidential or non-evidential property pending decisions on its ownership, or private property of an individual e.g., a suspect in custody.

C.8.40 Responsibilities of the Chief Constable:

- i) To determine procedures for the safekeeping of the private property of a person, other than a member of staff, under his guardianship or supervision. These procedures shall be made available to all appropriate employees.
- ii) To determine procedures for the safekeeping of evidential or non-evidential property. These procedures shall be made available to all appropriate employees and shall make specific reference to the need for insurance of valuable items. For more detailed information please refer to the Evidential and Non-Evidential Standard Operating Procedure (SOP).
- iii) To issue separate financial instructions for dealing with cash, including cash seized under the Proceeds of Crime Act.

C.8.41 All employees are responsible for notifying the Chief Constable immediately in the case of loss or diminution in value of such private property.

N) GIFTS, LOANS AND SPONSORSHIP

C.8.42 In accordance with the Police Act 1996, the PFCC may decide to accept gifts of money and gifts or loans of other property or services (e.g., car parking spaces) if they will enable the police either to enhance or extend the service which they would normally be expected to provide. The terms on which gifts or loans are accepted may allow commercial sponsorship of some police force activities.

C.8.43 Gifts, loans and sponsorship are particularly suitable for multi-agency work such as crime prevention, community relations work, and victim support schemes.

C.8.44 Gifts, loans and sponsorship can be accepted from any source which has genuine and well-intentioned reasons for wishing to support specific projects. In return, the provider may expect some publicity or other acknowledgement. It is acceptable to allow the provider to display the organisation's name or logo on publicity material, provided this does not dominate or detract from the purpose of the supported project.

C.8.45 The total value of gifts, loans and sponsorship accepted should not exceed 1% of the PFCC's annual gross revenue budget of the force and PFCC.

C.8.46 Responsibilities of the PFCC:

- i) To approve the policy on gifts, loans, and sponsorship.

C.8.47 Responsibilities of the Chief Constable:

- i) To accept gifts, loans, or sponsorship within agreed policy guidelines.
- ii) To refer all gifts, loans and sponsorship above the limit identified in Section G to the PFCC for approval before they are accepted.

C.8.48 Responsibilities of the Chief Constable's CFO:

- i) To present an annual report to the PFCC listing all gifts, loans, and sponsorship.
- ii) To maintain a central register, in a format agreed by the PFCC's Chief Finance Officer, of all sponsorship initiatives and agreements including their true market value, and to provide an annual certified statement of all such initiatives and agreements. The register will be made available to the PFCC's CFO, who shall satisfy themselves that it provides a suitable account of the extent to which such additional resources have been received.
- iii) To bank cash from sponsorship activity in accordance with normal income procedures.

SECTION D - SYSTEMS AND PROCEDURES

D.1 SYSTEMS & PROCESSES – INTRODUCTION

D.1.1 There are many systems and procedures relating to the control of the PFCC's assets, including purchasing, costing and management systems. The Chief Constable and the PFCC are reliant on computers for financial management information. This information must be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed, and errors detected promptly.

D.1.2 The two CFOs both have a statutory responsibility to ensure that financial systems are sound and should therefore be notified of any proposed new developments or changes.

D.1.3 Responsibilities of the Chief Finance Officers

D.1.4 To make arrangements for the proper administration of the financial affairs of the force and the PFCC, including to:

- a) Issue advice, guidance and procedures for officers and staff and others acting on behalf of the Chief Constable and the PFCC.
- b) Determine the accounting systems, form of accounts and supporting financial records.
- c) Establish arrangements for the audit of the financial affairs of the Chief Constable and the PFCC.
- d) Approve any new financial systems to be introduced.
- e) Approve any changes to existing financial systems.

D.1.5 To ensure, in respect of systems and processes, that:

- a) Systems are secure, adequate internal controls exist and accounting records (e.g., invoices, income documentation) are properly maintained and held securely. This is to include an appropriate segregation of duties to minimise the risk of error, fraud, or other malpractice.
- b) Appropriate controls exist to ensure that all systems input, processing, and output is genuine, complete, accurate, timely and not processed previously.
- c) A complete audit trail is maintained, allowing financial transactions to be traced from the accounting records to the original document and vice versa.
- d) Systems are documented and staff trained in operations.

D.1.6 To ensure that there is a documented and tested business continuity plan to allow key system processing to resume quickly in the event of an interruption. Effective contingency arrangements, including back up procedures, are to be in place in the event of a failure in computer systems.

D.1.7 To establish a scheme of delegation and consent, identifying staff authorised to act upon the PFCC's or Chief Constable's behalf in respect of income collection, placing orders, making payments, and employing staff.

D.2 INCOME

D.2.1 Overview and Control

D.2.2 Income is vital and effective systems are necessary to ensure that all income due is identified, collected, receipted, and banked promptly. The responsibility for cash collection should be separated from that for identifying the amount due and for reconciling the amount due to the amount received.

D.2.3 Context

D.2.4 The PFCC and Chief Constable shall adopt a charging policy having regard to national (including National Police Chiefs Council) guidelines. The Chief Constable may, with the PFCC's consent, adopt other charging policies and guidelines as appropriate to the circumstances.

D.2.5 The PFCC should ensure that there are arrangements in place to ensure that expected charges are clearly identified in their budgets and that costs are accurately attributed and charged. When considering budget levels, the PFCC should ensure that ongoing resource requirements are not dependant on a significant number of uncertain or volatile income sources and should have due regard to sustainable and future year service delivery.

D.2.6 When specifying resource requirements, the Chief Constable will identify the expected income from charging. The Chief Constable should adopt NPCC charging policies in respect of mutual aid.

D.2.7 Responsibilities of the Chief Constable and PFCC

D.2.8 To adopt the NPCC national charging policies and national guidance when applying charges under section 25 of the Police Act 1996 and to keep scales of fees and charges under review with such reviews being carried out at least annually.

D.2.9 Responsibilities of the Chief Finance Officers

- i) To make arrangements for the collection of all income due and approve the procedures, systems, and documentation for its collection, including the correct charging of VAT.

- ii) To agree a charging policy for the supply of goods and services, including the appropriate charging of VAT, and to review it regularly in line with corporate policies. All charges should be at full cost recovery except where regulations require otherwise or with the express approval of the PFCC.
- iii) To ensure that all income is paid fully and promptly into the designated bank account. Appropriate details should be recorded on to paying-in slips to provide an audit trail and money collected and deposited reconciled on a monthly basis.
- iv) To ensure income is not used to cash personal cheques or make other payments.

D.2.10 Responsibilities of the Chief Constable's CFO

- i) To order and supply to appropriate employees all receipt forms, books or tickets and similar items and be satisfied as to the arrangements for their control. Official receipts or other suitable documentation shall be issued for all income received.
- ii) To operate effective debt collection procedures.
- iii) To initiate, in consultation with Legal Services, appropriate debt recovery procedures, including legal action where necessary.
- iv) To approve the write-off of bad debts, in consultation with the Chief Executive or the PFCC's Chief Finance Officer, above the level shown in Section G. Amounts for write-off above this value must be referred to the PFCC for approval, supported by a written report explaining the reason(s) for the write-off.
- v) To prepare detailed financial instructions for dealing with income, to be agreed with the PFCC's Chief Finance Officer, and to issue them to all appropriate employees.

D.3 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

D.3.1 Public money should be spent in accordance with the PFCC's policies. The PFCC and the Chief Constable have a statutory duty to ensure financial probity and best value. The PFCC's and Chief Constable's Financial Regulations and purchasing procedures help to ensure that the public receive value for money. These procedures should be read in conjunction with the Section F - Contract Standing Orders.

D.3.2. The Chief Constable is responsible for preparing a procurement policy covering the principles to be followed for the purchase of goods and services. The PFCC is responsible for approving the procurement policy.

D.3.3 Responsibilities of the Chief Finance Officers:

- i) To ensure that the force's procurement policy is adhered to.

- ii) To ensure that official orders for all work, goods, or services to be supplied to the Chief Constable and the PFCC are in line with the Force's procurement policy. Exceptions include supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions approved by the CFOs. Orders must be in a form approved by the CFOs.
- iii) Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of the PFCC's contracts.
- iv) To ensure that goods and services ordered are appropriate and that there is an adequate budgetary provision. Quotations or tenders must be obtained where necessary, in accordance with the Contract Standing Orders within the limits shown in Section F.
- v) Payments are not to be made unless goods and services have been received at the correct price, quantity, and quality in accordance with any official order.
- vi) To ensure that payments are made to the correct person, for the correct amount, on time (i.e., with 28 days) and are recorded properly, regardless of the method of payment.
- vii) To ensure that VAT is recovered where appropriate.
- viii) To ensure that all commitments incurred by placing orders and expenditure, including VAT, are accurately recorded against the right budget and any exceptions are corrected.
- ix) To ensure that all purchases made through e-procurement follow the rules, regulations, and procedures, as set out in the Section F and in accordance with the Schemes of Delegation and Consent. Only authorised officers and staff can raise e-requisitions / orders and therefore an authorised signatory list will be maintained.
- x) The Chief Constable's CFO shall prepare, in consultation with the PFCC's CFO, detailed Financial Instructions for dealing with the ordering and payment of goods and services, and to issue these to all appropriate employees.

D.3.4 Responsibilities of the Chief Constable, Chief Finance Officers and Chief Executive:

- i) To ensure that every member and employee declares any links or personal interests that they may have with purchasers, suppliers, and contractors if they are engaged in contractual or purchasing decisions on behalf of the PFCC or Chief Constable and that such persons take no part in the selection of a supplier or contract with which they are connected.

D.4 PAYMENTS TO EMPLOYEES

D.4.1 Overview and Control

D.4.2 Employee costs are the largest item of expenditure for most police forces. It is therefore important that there are controls in place to ensure accurate, timely and valid payments are made in accordance with individuals' conditions of employment. Employees may include persons paid an allowance and volunteers depending upon their terms of engagement.

D.4.3 Responsibilities of the Chief Constable and the Chief Constable's CFO:

- i) To ensure, in consultation with the PFCC's CFO, the secure and reliable payment of salaries, overtime, pensions, compensation and other emoluments to existing and former employees.
- ii) To ensure that tax, pension, and other deductions are made correctly and paid over at the right time to the relevant body.
- iii) To pay all valid travel and subsistence claims or financial loss allowance.
- iv) To pay salaries, overtime, pensions, and reimbursements by the most economical means.
- v) To ensure that payroll transactions are processed only through the payroll system. Payments to individuals employed on a self-employed consultant or subcontract basis shall only be made in accordance with HM Revenue & Customs (HMRC) requirements. HMRC applies a tight definition of employee status, and, in cases of doubt, advice should be sought from them.
- vi) To ensure that full records are maintained of payments in kind and properly accounted for in any returns to HMRC.
- vii) To prepare detailed financial instructions for dealing with payments to employees, and issue these to all appropriate employees.

D.5 TAXATION

D.5.1 Overview and Control

D.5.2 Tax issues are often very complex and incorrect or untimely accounting and administration of tax matters can result in financial penalties.

D.5.3 Responsibilities of the Chief Finance Officers:

- i) To ensure that arrangements are in place for the timely completion and submission of all HM Revenue & Customs (HMRC) returns regarding PAYE and that due payments are made in accordance with statutory requirements.
- ii) To ensure that arrangements are in place for the timely completion and submission of VAT claims to HMRC.

- iii) To ensure that the correct VAT liability is attached to all income due and that all VAT receivable on purchases complies with HMRC regulations.
- iv) To provide details to HMRC regarding the construction industry tax deduction scheme.
- v) To ensure that appropriate technical staff have access to up to date guidance notes and professional advice.

D.6 CORPORATE PURCHASING CARDS

D.6.1 Overview and Control

D.6.2 Corporate purchasing cards are an alternative method of buying and paying for relatively low value goods, which generate a high volume of invoices. This should generate an efficiency saving from lower transaction costs as well as reducing the number of petty cash transactions.

D.6.3 Responsibilities of the Chief Constable's CFO:

- i) To provide detailed financial instructions to card holders.
- ii) To authorise and maintain control over the issue of cards.
- iii) To reconcile the purchase card account to the ledger on a monthly basis.

D.6.4 Responsibilities of Purchasing Card Holders:

- i) To be responsible for ordering and paying for goods and services in accordance with the force procurement policy, contract standing orders and all procedures laid down by the Chief Constable's CFO, including approving their transactions on the financial system in a timely manner and promptly submitting receipts.

D.7 EX GRATIA PAYMENTS

D.7.1 Overview and Control

D.7.2 An ex-gratia payment is a payment made where no legal obligation has been established. An example may be recompense to a police officer for damage to personal property in the execution of duty or to a member of the public for providing assistance to a police officer in the execution of duty.

D.7.3 Responsibilities of the Chief Constable:

- i) To make ex gratia payments, on a timely basis, to members of the public up to the level shown below in any individual instance, for damage or loss to property or for personal injury or costs incurred as a result of police action where such a payment is likely to facilitate or is conducive or incidental to the discharge of any of the functions of the PFCC and the force up to the limits set out in Section G.

[NOT PROTECTIVELY MARKED]

- ii) To maintain details of ex gratia payments in a register.

SECTION E - JOINT WORKING ARRANGEMENTS

E.1 Context

- E.1.1 Public bodies are increasingly encouraged to provide seamless service delivery through working closely with other public bodies, local authorities, agencies, and private service providers.
- E.1.2 As set out in section 10 of the Police Reform and Social Responsibility Act 2011, the PFCC, in exercising their functions, must have regard to the relevant priorities of each responsible authority. Subject to the constraints that may be placed on individual funding streams, the PFCC is free to pool funding as they and their local partners see fit. The PFCC can enter into any local contract for services, individually or collectively with other local partners, including non-police bodies.
- E.1.3 When the PFCC acts as a commissioner of services, he/she will need to agree the shared priorities and outcomes expected to be delivered through the contract or grant agreement with each provider. The PFCC is able to make crime and disorder grants in support of local priorities. The inclusion of detailed grant conditions directing local authorities how to spend funding need not be the default option. The power to make crime and disorder reduction grants is contained in The Policing Protocol Order 2011. The power to contract for services is set out in paragraph 14 of Schedule 1.
- E.1.4 Joint working arrangements can take a number of different forms, each with its own governance arrangements. These can be grouped under the following headings:
- i) Partnerships
 - ii) Collaboration
 - iii) Regional working
 - iv) Consortia
 - v) External Funding
 - vi) Work for Third Parties
- E.1.5 Partners engaged in joint working arrangements have common responsibilities:
- i) To act in good faith at all times and in the best interests of the partnership's aims and objectives;
 - ii) To be willing to take on a role in the broader programme, appropriate to the skills and resources of the contributing organisation;
 - iii) To be open about any conflicts that might arise and take action to resolve these as required;
 - iv) To encourage joint working and promote the sharing of information, resources and skills;

- v) To keep secure any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature, and
- vi) To promote the project.

E.1.6 In all joint working arrangements the following key principles must apply:

- i) Before entering into the agreement, a risk assessment has been prepared;
- ii) Project appraisal is in place to assess the viability of the project in terms of resources, staffing and expertise;
- iii) All arrangements are properly documented;
- iv) Regular communication is held with other partners throughout the project in order to achieve the most successful outcome;
- v) Audit and control requirements are satisfied;
- vi) Accounting and taxation requirements, particularly VAT, are understood fully and complied with, and
- vii) An appropriate exit strategy has been produced.

E.1.7 The force and PFCC element of all joint working arrangements must comply with these Financial and Procurement Regulations.

E.1.8 Responsibilities of the PFCC:

- i) To have regard to relevant priorities of local partners when considering and setting the Police and Crime Plan and the annual delivery plan.
- ii) To make appropriate arrangements to commission services from either the force or external providers.
- iii) To make crime and disorder reduction grants.

E.1.9 Responsibilities of the Chief Constable:

- i) To follow the Financial Instructions for local partnerships, as published on the force's intranet.
- ii) To consult, as early as possible, the Chief Finance Officers to ensure the correct treatment of taxation and other accounting arrangements.
- iii) To produce a Memorandum of Understanding (MOU) setting out the appropriate governance arrangements for the project. This document should be signed by the Chief Executive.

E.2 Partnerships

E.2.1 The term partnership refers to groups where members work together as equal partners with a shared vision for a geographic or themed policy area and agree a strategy in which each partner contributes towards its delivery. A useful working definition of such a partnership is where the partners:

- i) are otherwise independent bodies;

- ii) agree to co-operate to achieve a common goal(s), and
- iii) create an organisational structure or process and agreed programme, and share information, risks, and rewards in order to achieve the goal(s).

E.2.2 The number of partnerships, both locally and nationally, is expanding in response to Central Government requirements and local initiatives. This is in recognition of the fact that partnership working has the potential to:

- i) comply with statutory requirements;
- ii) deliver strategic objectives in new and better ways;
- iii) improve service quality and cost effectiveness;
- iv) ensure the best use of scarce resources and access new resources;
- v) deal with issues which cut across agency and geographic boundaries, and where mainstream programmes alone cannot address the need;
- vi) forge new relationships, and
- vii) find new ways to share risk.

E.2.3 Partnerships typically fall into three main categories i.e., statutory based, strategic, and ad-hoc.

E.2.4 Statutory based

E.2.5 These are partnerships that are governed by statute. They include, for example, Community Safety Partnerships (CSPs).

E.2.6 Strategic

E.2.7 These are partnerships set up to deliver core policing objectives. They can either be force-wide or local.

E.2.8 Ad-hoc

E.2.9 These are typically locally based informal arrangements agreed by Divisional Commanders.

E.3 Collaboration

E.3.1 Under sections 22A to 22C of the Police Act 1996 as inserted by section 89 of the Police Reform and Social Responsibility Act 2011, Chief Constables and PCCs have the legal power and duty to enter into collaboration agreements to improve the efficiency or effectiveness of one or more police force or PCC. Any collaboration which relates to the functions of a police force must first be agreed with the Chief Constable of the force concerned.

E.3.2 Notwithstanding the above Chief Constables and PCCs can enter into collaboration agreements set out under other statutory provisions.

E.3.3 The PCCs shall jointly hold their Chief Constables to account for any collaboration in which their forces are involved.

E.3.4 Any such proposal must be discussed with the Chief Finance Officers in the first instance.

E.4 Regional Working

E.4.1 Essex Police's contribution towards working with other forces, regions, agencies, or parties will be contained in the annual budget and medium-term financial strategies.

E.4.2 The Director of Essex & Kent Support Services will be required to provide regular financial and performance monitoring information for regional working. Once a contribution has been made to a regional project, in terms of application of the resources, it will be assumed it will be in line with those of the Lead Force for that activity. Essex Police will have the right to audit all expenditure in relation to all regional projects.

E.5 Consortium Arrangements

E.5.1 A consortium is a long-term joint working arrangement with other bodies, operating with a formal legal structure approved by the PFCC.

E.5.2 Responsibilities of the Chief Constable:

- i) To contact the Chief Executive before entering into a formal consortium agreement, to establish the correct legal framework.
- ii) To consult, as early as possible, the Chief Finance Officers to ensure the correct treatment of taxation and other accounting arrangements.
- iii) To produce a business case to show the full economic and other benefits to be obtained from participation in the consortium.
- iv) To produce a Memorandum of Understanding (MOU) setting out the appropriate governance arrangements for the project. This document should be signed by the Chief Executive.

E.5.7 Responsibilities of the PFCC:

- i) To approve the Chief Constable's and PFCC's participation in the consortium arrangement.

E.6 External Funding

E.6.1 Overview and Control

E.6.2 External funding can be a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the PFCC and Chief Constable. Funds from external agencies provide additional resources to enable policing objectives to be delivered. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Police and Crime Plan.

E.6.3 The main sources of such funding will tend to be specific government grants, additional contributions from local authorities (e.g., for ANPR, CCTV and PCSOs) and donations from third parties (e.g., towards capital expenditure).

E.6.4 The PFCC, Chief Constable and Chief Executive are responsible for actively pursuing any opportunities for additional funding where this is considered to be in the interests of the force and PFCC.

E.6.5 The Chief Constable and the PFCC are responsible for ensuring that the match-funding requirements and exit strategies are considered prior to entering into the agreements and that future medium-term financial forecasts reflect these requirements.

E.6.6 The Chief Finance Officers are responsible for ensuring that all funding notified by external bodies is received and properly accounted for, and that all claims for funds are made by the due date and that any audit requirements specified in the funding agreement are met.

E.6.10 Responsibilities of the Chief Constable:

- i) To ensure that funds are acquired only to meet policing needs and objectives.
- ii) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
- iii) To ensure that any conditions placed on the PFCC and the Chief Constable in relation to external funding are in accordance with the approved policies of the PFCC. If there is a conflict, this needs to be taken to the PFCC for resolution.

E.7 Work for Third Parties

E.7.1 The Chief Constable provides services to other bodies outside of its normal obligations, for which charges are made e.g., training, special services. Arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is not ultra vires.

E.7.2 Responsibilities of the Chief Constable:

- i) To ensure that proposals for assistance are costed, that no contract is subsidised by the Chief Constable or the PFCC and that, where possible, payment is received in advance of the delivery of the service so that the Chief Constable and the PFCC are not put at risk from any liabilities such as bad debts.
- ii) To ensure that appropriate insurance arrangements are in place.
- iii) To ensure that all contracts are properly documented.
- iv) To ensure that such contracts do not impact adversely on the services provided by the Chief Constable and the PFCC.

SECTION F - CONTRACT STANDING ORDERS

F.1.1. The PFCC and Chief Constable have adopted the Seven Force Procurement Contract Standing Orders (attached at Appendix 1).

SECTION G - DELEGATED LIMITS

References to Sections refer to the relevant part of these regulations where a delegated limit is to apply.

SECTION B FINANCIAL PLANNING AND CONTROL

G.1 Annual Revenue Budget Preparation

G.1.1 Budget Estimates

The budget estimates shall identify all proposed individual major revenue projects. A major revenue project shall be defined as one in excess of the estimated value shown below:

£250,000

G.1.2 Allocation of Grants

The Chief Constable may not allocate grants in any one financial year without approval of the PFCC

G.2 Revenue Budget Monitoring

G.2.1 Major Projects

Major projects need not be referred back to the PFCC for further approval unless, when negotiating contract details, amendments to the nature of the scheme are sought or the cost of the scheme exceeds the limits shown below:

Cost of project varies from approved estimate by lesser of 10% or £250,000.

G.2.2 Year End Balances

The Chief Constable, with due regard to advice from the Chief Constable's CFO may carry forward any under spends on the net operational budget in any financial year to the following financial year up to £500,000 on the condition that the total reserve does not exceed the following amount:

£750,000

Carry forward requests above this limit must be referred to the PFCC for approval with due regard to advice from the PFCC's Chief Finance Officer.

G.3 Revenue Virements

G.3.1 The levels of authorisation for revenue virements are:

Virement to be approved

Limit	Chief Constable	Chief Constable's CFO	Chief Executive	PFCC's CFO	PFCC
Up to £250,000	√	√			
£250,000 to £500,000	√	√	√	√	
Above £500,000	√	√	√	√	√

Virements to a specific budget line approved within these limits, but with a cumulative value exceeding £250,000, shall be approved by the Chief Executive in consultation with the PFCC's Chief Finance Officer. If the cumulative value of the virement exceeds £500,000, it will require the PFCC's approval.

An exception to the above is virements related to the Chief Officer Contingencies budget held by CC, DCC, ACCs and ACOs to the value of £400,000.

Virement analysis should be presented as part of the Financial Monitoring Report with the split between virements requiring and not requiring approval from PFCC and/or PFCC statutory officers.

G.3.2 Virements from revenue to capital

The Chief Constable may authorise the financing of capital expenditure from the revenue budget, up to the level shown below:

£50,000 per project

G.3.3 The virement approval process is detailed section B.6.10

G.4 Capital Programme

G.4.1 Approval for capital expenditure and disposal

Unless it is an exceptional item, all proposals for capital expenditure are considered by the Strategic Board, which in turn makes a recommendation to the Chief Constable and PFCC. Any capital project, property disposal, or property lease renewal with a value in excess of the limit shown below shall be subject to the PFCC's approval, subject to the requirement for prior notification to the PFCC's Chief Finance Officer before the commitment is made in cases where the total value of proposed capital expenditure lies between £100,000 and £250,000:

£250,000 or any lease over 5 years in duration

G.4.2 Approval of leases and other credit arrangements

The Chief Constable shall notify the PFCC's Chief Finance Officer of all proposed leases, or other credit arrangements before any agreement is made.

Any lease or other credit arrangements with a value in excess of the limit shown below shall be subject to the PFCC's approval:

£10,000 pa or any lease or credit arrangement over 3 years in duration

G.4.3 Approval of licence, easements, and way-leave arrangements

The Chief Constable shall notify the PFCC's Chief Finance Officer of all proposed licence, easements and way-leave arrangements before any agreement is made. Any licence, easements, and way-leave arrangements with a value in excess of the limit shown below shall be subject to the PFCC's approval:

*£10,000 pa
Or any licence arrangement over 3 years in duration*

G.5 Annual Capital Programme

G.5.1 Schemes exceeding approved estimates in the Capital Programme

Detailed estimates for each scheme in the approved Capital Programme shall be prepared by the responsible officer before tenders are sought or commitments made. Schemes need not be referred back to the PFCC for further approval unless the cost of the scheme exceeds the limits shown below:

The lesser of 20% of approved cost or £250,000

SECTION C MANAGEMENT OF RISK AND RESOURCES

G.6 Risk Management and Business Continuity

G.6.1 The Chief Constable shall be authorised to settle civil claims up to the value shown below:

£107,000, excluding legal costs

Prior approval must be given by the PFCC's Chief Finance Officer for civil claims in excess of the value shown, irrespective of whether or not covered by insurance.

G.7 Assets

G.7.1 Asset Register

The Chief Constable shall maintain an asset register for all fixed assets with an individual value in excess of the limits shown below:

*Land & Buildings - £10,000
Vehicles – £7,500
Computers - £10,000
Plant & Equipment - £10,000*

This covers equipment items which are individually below the *de-minimis*, but when aggregated exceed the limit, e.g., IT hardware, body armour.

G.7.2 Inventories

The PFCC and the Chief Constable shall maintain separate inventories for their respective corporation sole that record an adequate description of portable and desirable items such as computers, monitors, printers, facsimile machines, mobile phones, and photographic equipment above the value shown below:

£500

G.7.3 Stocks and stores valuation write-offs

Discrepancies between the actual level of stock and the book value of stock may be written off by the Chief Constable's CFO up to the level shown below. Amounts for write off above this value must be referred to the PFCC's CFO for approval.

Individual items £10,000
Overall annual limit on all stock £20,000

G.7.4 Stocks and stores obsolescence write-offs

Obsolete stock, or equipment and materials surplus to requirements may be written off by the Chief Constable's CFO up to the level shown below. Amounts for write off above this value must be referred to the PFCC's CFO for approval.

Individual items £10,000
Overall annual limit on all stock £20,000

G.7.5 Asset Disposals

The Chief Constable may dispose of surplus land, buildings, vehicles, and items of equipment up to the estimated value shown below. Disposals above this value are to be reported to the PFCC for prior approval. (See G.4.1)

Land & Buildings £200,000
Equipment £25,000
Vehicles £10,000

G.7.6 High value asset disposals

Items above the estimated value shown below shall be disposed of by public auction or sealed bids after advertisement.

Land & Buildings £500,000
Equipment £25,000
Vehicles £20,000

In cases where it is deemed to be cost effective to action a sale of land or buildings through an estate agent, prior approval of the Chief Executive or the PFCC's Chief Finance Officer must be obtained.

SECTION D SYSTEMS AND PROCEDURES

G.8 Income

- G.8.1 The Chief Constable's CFO to approve the write-off of bad debts, pension, and payroll overpayments up to the level shown below. Amounts for write-off above this value must be referred to the PFCC's CFO for approval, supported by a written report explaining the reasons for the write-off.

£10,000

Individual amounts, without limit, due to the PFCC can only be written off by the PFCC in consultation with their Chief Finance Officer.

G.9 Ordering and Paying for Works, Goods and Services

- G.9.1 Quotations shall be obtained, or tenders invited from suppliers or contractors in accordance with the requirements set out in the Section F – Contract Standing Orders.

G.10 Ex Gratia Payments

- G.10.1 The Chief Constable may make *ex gratia* payments to members of the public up to the level shown below in any individual instance, for damage or loss to property or for personal injury or costs incurred as a result of police action where such a payment is likely to facilitate or is conducive or incidental to the discharge of any of the functions of the PFCC or force.

Amounts greater than specified below must be referred to the PFCC for approval. The circumstances of the proposed payment must not have the effect of circumventing other PFCC, or force pay and allowance, policies, rates, and rules.

£10,000

Ex gratia payments between £10,000 and £100,000 must be approved by the Chief Executive or the PFCC's Chief Finance Officer.

The PFCC must approve *ex gratia* payments in excess of £100,000.